

Fiscal Services Division

Legislative Services Agency

Fiscal Note

SF 393 - Data Center Sales Tax Exemption (LSB 2313 SS)
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Fiscal Note Version - New
Requested by Senator Jeff Danielson

Description

Senate File 393 provides an annual sales tax refund for up to five years for an information technology facility on the sales price from fuels used in creating heat, power, and steam for processing or generating electrical current, or from the sale of electricity consumed by computers, machinery, or other equipment for the operation of the facility.

The amount of sales tax refunded will only be applied to the State sales tax and will not include any local option sales and services tax.

Assumptions

Assumptions include:

- To qualify for the sales tax refund, the business must be classified within the North American Industry Classification System (NAICS) under code 518210 (Data Processing, Hosting, and Related Services).
- During 2006 the estimated annual cost of energy cost for servers and data centers was \$3.3 billion.
- Based on historical trends, estimated energy use by server farms and data centers is expected to increase by 11.8% each year from 2005 to 2010.
- Based on data from 2002, Iowa has 126 businesses that provided data processing, hosting, and related services. These businesses accounted for 0.9% of the number of similar businesses in the United States and 1.7% of the profits. Assumes that Iowa's market share in this industry will remain at this level through 2015.
- Initial requests can be filed as soon as July 1, 2007, and cover the period from July 1, 2006, through June 30, 2007. These refunds will impact General Fund revenues in FY 2008.

Fiscal Impact

The overall fiscal impact of SF 393 is a decrease in General Fund revenues of an estimated \$3.0 million in FY 2008, \$3.4 million in FY 2009, \$3.8 million in FY 2010, and \$4.3 million in FY 2011.

Sources

Iowa Department of Revenue
North American Industry Classification System
U.S. Economic Census, 2002
Government Technology's Public CIO

/s/ Holly M. Lyons

April 18, 2007

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
